

# City of Detroit

## CITY COUNCIL

IRVIN CORLEY, JR.  
DIRECTOR  
(313) 224-1076

FISCAL ANALYSIS DIVISION  
Coleman A. Young Municipal Center  
2 Woodward Avenue, Suite 218  
Detroit, Michigan 48226  
FAX: (313) 224-2783  
E-Mail: [irvin@cncl.ci.detroit.mi.us](mailto:irvin@cncl.ci.detroit.mi.us)

ANNE MARIE LANGAN  
DEPUTY DIRECTOR  
(313) 224-1078

TO: COUNCILMEMBERS

FROM: Irvin Corley, Jr., Director *ICJ*  
Derrick Headd, Fiscal Staff Analyst *DH*

DATE: February 11, 2009

RE: Demolition and Boarding

On January 27, 2009, in a meeting of the Committee of the Whole, Councilmember Collins asked the Fiscal Analysis Division to report on the appropriateness of BS&E using demolition funds for the boarding of buildings. In addition, Councilmember Collins asked Fiscal to determine how the demolition funds are being used and if the City is paying demolition vendors timely.

In reviewing HUD's website, we discovered the following in regard what activities are eligible and ineligible activities under CDBG (Community Development Block Grant) rules.

**CDBG funds may be used for activities (that) include, but are not limited to:**

- acquisition of real property;
- relocation and **demolition**;
- rehabilitation of residential and non-residential structures;
- construction of public facilities and improvements, such as water and sewer facilities, streets, neighborhood centers, and the conversion of school buildings for eligible purposes;
- public services, within certain limits;
- activities relating to energy conservation and renewable energy resources; and
- provision of assistance to profit-motivated businesses to carry out economic development and job creation/retention activities.

**Generally, the following types of activities are ineligible:**

- acquisition, construction, or reconstruction of buildings for the general conduct of government;
- political activities;
- certain income payments; and
- construction of new housing by units of general local government.

Based on our discussions with BS&E staff, the department indicated that \$2.6 million of BS&E block grant allocation is designated for demolitions, and \$150,000 (5.8%) of that has been allocated for the boarding of buildings.

The \$150,000 allocation for boarding is a relatively small portion of the \$2.6 million allocated for demolitions. According to HUD requirements, at least 70% of Consolidated Plan funds must be used for activities that benefit low and moderate-income persons. Given the fact that most of the demolition activities of BS&E occur in low to moderate-income areas of the city of Detroit, this particular threshold is satisfied. Even if

hypothetically, all of the boarding activity of BS&E was implemented in Detroit more affluent areas, the allocation for boarding dollars is far below the 30% ceiling for HUD. We have learned from RAD and CPC that the boarding of buildings is in fact an eligible activity for CDBG funds through the State's Neighborhood Stabilization Plan. Council may also want RAD and CPC to speak to this particular issue with more detail, and if so, we defer to them.

EJH Construction, Inc., of Farmington Hills, MI, is currently the company with a contractual agreement with the City of Detroit to perform the boarding of buildings. According to RAD's June 17, 2008 Review of Contracts and Purchasing Files report, Council originally approved contract #2730782 by resolution on April 25, 2007, for March 2007 to March 14, 2008 for \$87,000. EJH is now operating under the contract's 1-year renewal option (March 15, 2008 through March 14, 2009). The renewal of the contract is for the same price. The \$87,000 contract cost is based on a rate of \$58 per unit for boarding for 1,500 units, the estimated work over the 1-year period. A unit is 4 feet by 8 feet, or 32 square feet in size.

**We respectfully request that BS&E present responses to the following issues and questions to the Council in two weeks:**

1. Please provide the current account status of the boarding contractor EJH Construction, Inc. Please provide the number of units (# of boards) completed by address and billing amount submitted by the contractor to-date and also provide the amount the City has paid EJH Construction, Inc, as of February 1, 2009.
2. Additionally, please provide a detailed accounting of the number of units and addresses of the buildings that EJH Construction, Inc has completed over the life of the existing contract to-date and the amount the City has paid to the EJH over that period as well (March 14, 2007 to February 1, 2009).
3. What method does BS&E use to determine what buildings are boarded and how does the department monitor how much of the contractual dollars are available at any given time throughout the year? Are the dollars/units available for boarding monitored daily, weekly, monthly, etc by BS&E staff? Please explain.
4. The current boarding contract's 1-year renewal period is set to expire March 14, 2009. What are the department's plans to proceed after the renewal period expires? Does the department have plans to re-bid for the work? If no, why not?
5. Currently the block grant funded section of BS&E, Demolition, administers the contractual work for both demolitions and the boarding of buildings. Are there any plans to alter this arrangement in the foreseeable future and if so, what are those plans? Please explain.
6. Please describe the bidding process for demolition contracts. How often do demolition bids go out and what are the duration of the demolition contracts?
7. How are emergency demolition contractors selected?

2

~~demolition contractor to submit a bid to the City and the time it takes the City to pay a vendor for demolition services?~~

10. The boarding of buildings is an eligible activity for CDBG funds through the State's Neighborhood Stabilization Plan. How will BS&E fit into the City of Detroit's efforts under the State's Neighborhood Stabilization Plan? What is the projected Neighborhood Stabilization Plan allocation for BS&E programs? What programs will BS&E administer under the plan? What section or sections of the department will administer each program objective?

Please contact us if we can be of any further assistance.

Attachment: HUD Community Development Block Grant Information

cc: Council Divisions  
Auditor General's Office  
Amy Meah, Director, BS&E

8. For the past two fiscal years what percentage of the department's demolition work gone out by emergency demolition? Please provide by number and dollar amount the number of regular and emergency demolitions over the past two fiscal years.
9. Finally, in regard to demolitions, what is the average turnaround time for a demolition contractor to submit a bill to the City and the time it takes the City to pay a vendor for demolition services?
10. The boarding of buildings is an eligible activity for CDBG funds through the State's Neighborhood Stabilization Plan. How will BS&E fit into the City of Detroit's efforts under the State's Neighborhood Stabilization Plan? What is the projected Neighborhood Stabilization Plan allocation for BS&E programs? What programs will BS&E administer under the plan? What section or sections of the department will administer each program objective?

Please contact us if we can be of any further assistance.

Attachment: HUD Community Development Block Grant Information

cc: Council Divisions  
Auditor General's Office  
Amru Meah, Director, BS&E  
Sheilah Johnson, BS&E  
Joe Harris, Chief Financial Officer, Finance Department  
Pamela Scales, Budget Department Director  
Ron Chenault, Budget Department  
Arese Robinson, Mayor's Office

*I:\HEADD\Demolition Boarding BRC.doc*

This page is located on the U.S. Department of Housing and Urban Development's Homes and Communities Web site at

<http://www.hud.gov/offices/cpd/communitydevelopment/programs/entitlement/index.cfm>.



# Community Development Block Grant Entitlement Communities Grants

**This page is a resource for grantees who are deciding how to use this grant to benefit their communities.**

## Jump to...

- ▶ Introduction
- ▶ Nature of Program
- ▶ Eligible Grantees
- ▶ Eligible Activities
- ▶ Ineligible Activities
- ▶ Requirements
- ▶ Citizen Participation
- ▶ For More Information

## Introduction

The program provides annual grants on a formula basis to entitled cities and counties to develop viable urban communities by providing decent housing and a suitable living environment, and by expanding economic opportunities, principally for low- and moderate-income persons. The program is authorized under Title 1 of the Housing and Community Development Act of 1974, Public Law 93-383, as amended; 42 U.S.C.-5301 et seq.

## Nature of Program

HUD awards grants to entitlement community grantees to carry out a wide range of community development activities directed toward revitalizing neighborhoods, economic development, and providing improved community facilities and services.

Entitlement communities develop their own programs and funding priorities. However, grantees must give maximum feasible priority to activities which benefit low- and moderate-income persons. A grantee may also carry out activities which aid in the prevention or elimination of slums or blight. Additionally, grantees may fund activities when the grantee certifies that the activities meet other community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community where other financial resources are not available to meet

 Information by State

 Print version

## What's New

### Neighborhood Stabilization Program

To communities hit hardest by foreclosures and delinquencies, HUD provides grants to purchase, rehabilitate or redevelop homes and stabilize neighborhoods.  
more...

### CDBG Memorandum

Reminder of the Prohibition on Use of CDBG Assistance for Job-Pirating Activities.  
PDF

### CPD Notice 08-05.

"Implementing the New Freedom Initiative and Involving Persons with Disabilities in the Preparation of the Consolidated Plan through Citizen Participation".  
WORD

### IDIS Training Manual for CDBG Entitlement Communities

This manual explains how to set up, fund, draw funds, and report accomplishments and performance measures for CDBG activities in IDIS.  
PDF

## Related Information

- ▶ CDBG Toolkit on Crosscutting Issues
- ▶ Laws & Regulations
- ▶ CPD Notices
- ▶ Funding Allocations
- ▶ CDBG Local Contacts
- ▶ Field Office Directors
- ▶ Appalachian Regional Commission

## HUD Resources

- ▶ **CPD Notice 05-06, 07/26/05**  
**HUD's Suggested Survey Methodology** to Determine the Percentage of Low- and Moderate-Income (LMI) Persons in the Service Area of a Community Development Block Grant-Funded Activity

such needs. CDBG funds may not be used for activities which do not meet these broad national objectives.

### Eligible Grantees

Eligible grantees are as follows:

- principal cities of Metropolitan Statistical Areas (MSAs);
- other metropolitan cities with populations of at least 50,000; and
- qualified urban counties with populations of at least 200,000 (excluding the population of entitled cities) are entitled to receive annual grants.

HUD determines the amount of each entitlement grant by a statutory dual formula which uses several objective measures of community needs, including the extent of poverty, population, housing overcrowding, age of housing and population growth lag in relationship to other metropolitan areas.

### Eligible Activities

CDBG funds may be used for activities which include, but are not limited to:

- acquisition of real property;
- relocation and demolition;
- rehabilitation of residential and non-residential structures;
- construction of public facilities and improvements, such as water and sewer facilities, streets, neighborhood centers, and the conversion of school buildings for eligible purposes;
- public services, within certain limits;
- activities relating to energy conservation and renewable energy resources; and
- provision of assistance to profit-motivated businesses to carry out economic development and job creation/retention activities.

### Ineligible Activities

Generally, the following types of activities are ineligible:

- acquisition, construction, or reconstruction of buildings for the general conduct of government;
- political activities;
- certain income payments; and
- construction of new housing by units of general local government.

### Requirements

To receive its annual CDBG entitlement grant, a grantee must develop and submit to HUD its Consolidated Plan, (which is a jurisdiction's comprehensive planning document and application for funding under the following Community Planning and Development formula grant programs: CDBG, HOME Investment Partnerships, Housing Opportunities for Persons with AIDS (HOPWA), and Emergency Shelter Grants (ESG)). In its Consolidated Plan, the jurisdiction must identify its goals for these programs as well as for housing programs. The goals will serve as the criteria against which HUD will evaluate a jurisdiction's Plan and its performance

PDF | WORD

- ▶ Three-part publication on **MANAGING SUBRECIPIENTS** is now available! Two copies are currently in the mail to each CDBG grantee.  
more...
- ▶ **Keeping CDBG Funds Moving**  
more...
- ▶ **Ensuring CDBG Subrecipient Timeliness**  
more...

under the Plan. Also, the Consolidated Plan must include several required certifications, including that not less than 70% of the CDBG funds received, over a one, two or three year period specified by the grantee, will be used for activities that benefit low- and moderate-income persons, and that the grantee will affirmatively further fair housing. HUD will approve a Consolidated Plan submission unless the Plan (or a portion of it) is inconsistent with the purposes of the National Affordable Housing Act or is substantially incomplete.

Following approval, the Department will make a full grant award unless the Secretary has made a determination that the grantee:

- has failed to carry out its CDBG-assisted activities in a timely manner;
- has failed to carry out those activities and its certifications in accordance with the requirements and the primary objectives of Title I of the Housing and Community Development Act of 1974, as amended, and with other applicable laws; or
- lacks a continuing capacity to carry out its CDBG-assisted activities in a timely manner.

### **Citizen Participation**

A grantee must develop and follow a detailed plan which provides for, and encourages, citizen participation and which emphasizes participation by persons of low- or moderate-income, particularly residents of predominantly low- and moderate-income neighborhoods, slum or blighted areas, and areas in which the grantee proposes to use CDBG funds. The plan must:

- provide citizens with reasonable and timely access to local meetings, information, and records related to the grantee's proposed and actual use of funds;
- provide for public hearings to obtain citizen views and to respond to proposals and questions at all stages of the community development program, including at least the development of needs, the review of proposed activities, and review of program performance;
- provide for timely written answers to written complaints and grievances;
- and identify how the needs of non-English speaking residents will be met in the case of public hearings where a significant number of non-English speaking residents can be reasonably expected to participate.

### **For More Information**

If you are an interested citizen, contact your local municipal or county officials for more information. HUD does not provide CDBG assistance directly to citizens or organizations. If your local government officials cannot answer your questions, or if you are a local official, contact the HUD field office\* that serves your area. Note that the local government administers the program and determines which local projects receive funding.

\*Hearing impaired users may call the Federal Information Relay Service at 1-800-877-8339.

Content current as of 20 November 2008

**U.S. Department of Housing and Urban Development**  
451 7th Street, S.W., Washington, DC 20410